



**EROAD**

**Market Release**

**20 March 2023**

### **Investor Day Presentation**

Transportation technology services company EROAD Limited (NZX/ASX: ERD), with its purpose of safer and more sustainable roads, today provides a copy of the Investor Day Presentation ahead of the Investor Day on 21 March 2023.

EROAD is undertaking a strategic review to identify partners to assist the Company in accelerating its North American strategy.

The review will aim to identify partnership options to contribute capital, expertise and additional market access for EROAD to gain further growth in the North American market.

The Board has appointed Goldman Sachs as financial adviser to assist in the review.

There is no certainty that the review will lead to any particular outcome or transaction. EROAD will update the market on the status of the review at its FY23 financial results.

#### **Details of Investor Day**

As a reminder, the Investor Day details are as follows:

Date: Tuesday 21<sup>st</sup> March 2023, 1pm – 3pm AEDT  
Venue: Allens  
Level 28, Deutsche Bank Place  
126 Phillip Street (Corner Hunter & Phillip Streets)  
Sydney NSW 2000  
AUSTRALIA

Investors can attend either in person, or virtually. To RSVP for the event, please use the following link:  
<https://kapara.rdbk.com.au/landers/99ad9a.html>

**ENDS**

Authorised for release to the NZX and ASX by Margaret Warrington, Chief Financial Officer.

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EROAD

# EROAD INVESTOR DAY

21 March 2023



# EROAD INVESTOR DAY ATTENDEES



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## CHAIR – GRAHAM STUART

- EROAD Chair since August 2018 and Director since January 2018
- Previously CEO of Sealord Group
- CFO, then Director of Strategy & Growth at Fonterra
- On Boards of Metro Performance Glass (MPG-NZX), the manager of Vital Healthcare (VHP-NZX), and Tower Insurance (TWR-NZX).



## CEO – MARK HEINE

- CEO of EROAD since April 2022 (General Counsel and Company Secretary since 2015)
- Previously at Bell Gully and Allens in technology, corporate and commercial, M&A, litigation, privacy, IP and antitrust law



## NON-EXECUTIVE DIRECTOR – SELWYN PELLETT

- Co-Founder of Coretex
- Founder of multiple New Zealand-based technology companies including Endace and Imarda (which merged with International Telematics to create Coretex).



## CFO – MARGARET DELANY

- CFO of EROAD since November 2022 (Group Financial Controller since September 2020)
- Senior finance roles at Summerset Group, Statistics NZ, Housing New Zealand and Inland Revenue



## PRESIDENT NA & CHIEF INNOVATION OFFICER – AKINYEMI KOYI

- President of North America & Chief Innovation Officer since 2022
- Previously, Chief Operating Officer and Chief Technology Officer of Coretex.



## EGM AUSTRALIA & NZ – KONRAD STEMPIAK

- General Manager, Australia since March 2021.
- Previous experience includes a number of roles at Kennards Hire including strategic operations, technical sales, and new ventures

# CONTENTS



## Trading Update & Guidance

### Key Opportunities

1. Customer Mix
2. R&D Payback
3. North America Market Fit
4. Unit Economics

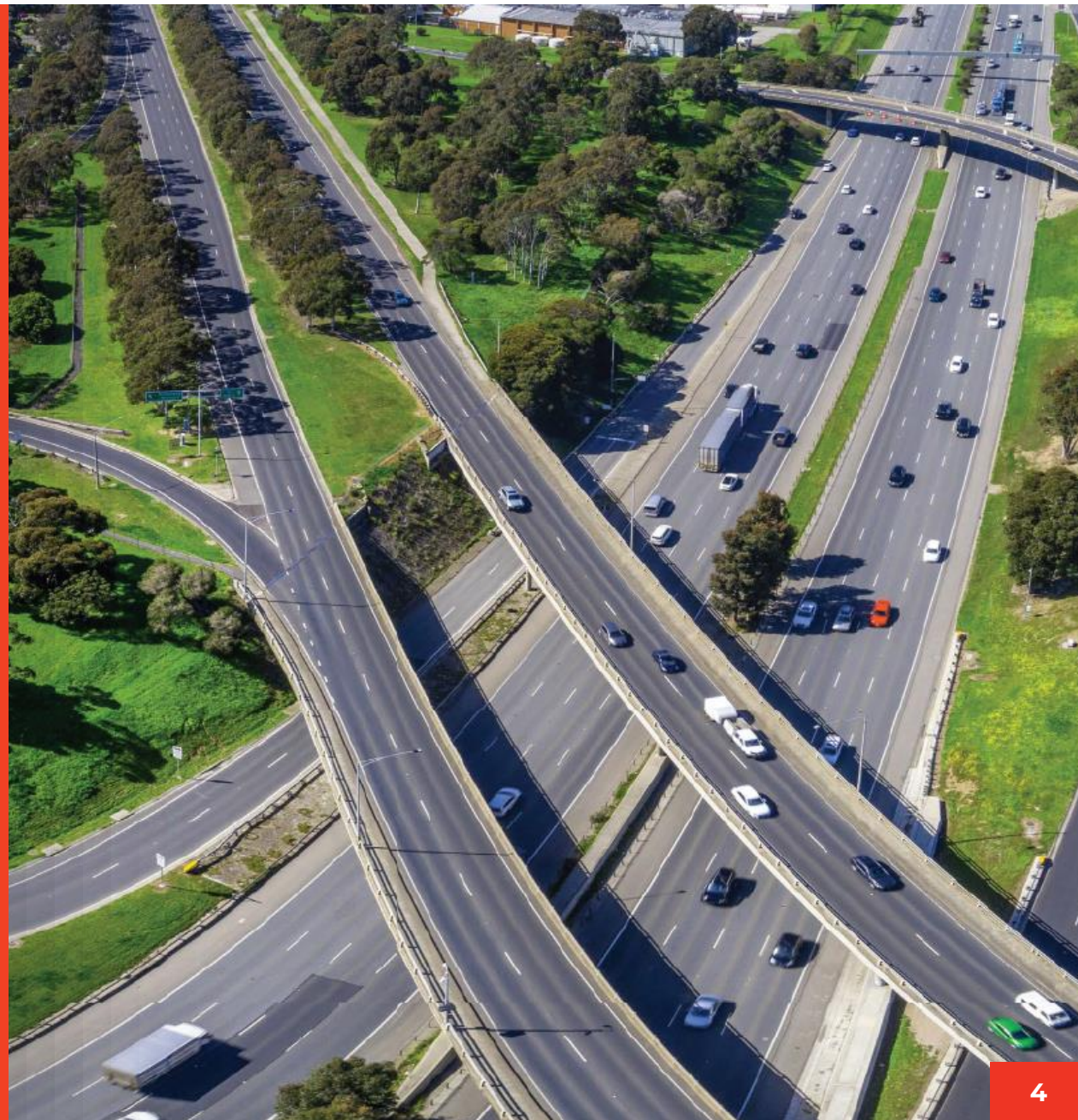
### EROAD Tomorrow

- Repositioning to Generate Cash & Drive Growth
- Strategy Timeframe
- Financial Outlook
- Key Metrics
- Positioned for market growth

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**WELCOME &  
OPENING REMARKS**

GRAHAM STUART (CHAIR)



# TRADING UPDATE & GUIDANCE

## Trading Update

- New Zealand & Australia continue to deliver solid growth with new client wins (e.g. Fonterra)
- Focus on business optimisation and cost efficiencies driving demand in NA but longer sales cycles prevailing

## Guidance Reiterated

- FY23 revenue guidance updated on 27<sup>th</sup> February due to:
  - Delay in Sysco roll-out;
  - Increased one-off & inflationary costs; and
  - Refocusing of R&D program
- Reiterating guidance based on trading YTD

## Free Cash Flow neutral by FY25, positive by FY26

- Implementation of refreshed strategy will provide pathway to sustainable, profitable growth

### FY23 Guidance

Revenue	\$159m – \$164m
Normalised EBIT	\$(6)m – \$(3)m

# FY23 RECAP



- **Difficult market conditions over the last year impacting operations** including: North America customers facing macro-economic challenges resulting in delayed customer decision making and EROAD facing increased competition broadly
- **Strategic review announced in November 2022 to address future direction**
  - Right-size the cost base of the business;
  - Generate positive Free Cash Flow; and
  - Capitalize on significant growth opportunities in key markets.
- **Enterprise accounts**
  - Won Sysco in North America (greater than 9,000 connections);
  - Won Fonterra in New Zealand taking full product suite (cameras, Ehubo, and satellite); and
  - Renewed ABC in North America (6,000 connections).
- **Senior management team transition** with:
  - Key recent appointments (CEO and CFO)
  - Appointed Chief Transformation Officer, Chief Operating Officer and Chief People Officer, and
  - Retention of Coretex senior leadership.

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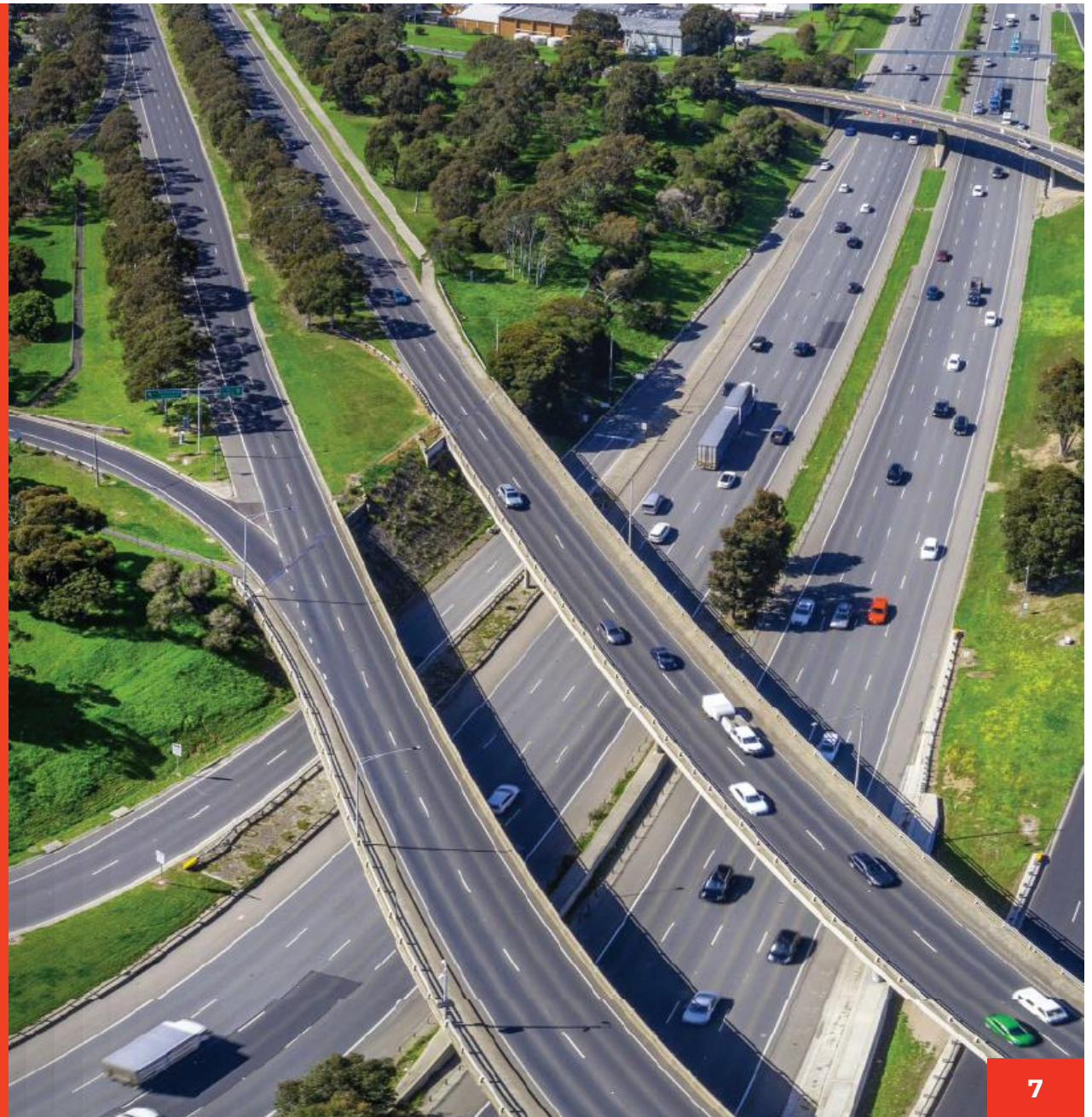


# 02 KEY OPPORTUNITIES

**MARK HEINE** (CEO)

**MARGARET DELANY** (CFO)

**AKINYEMI KOYI** (PRESIDENT NORTH AMERICA &  
CHIEF INNOVATION OFFICER)





# INTEGRATED SOLUTIONS OVERVIEW



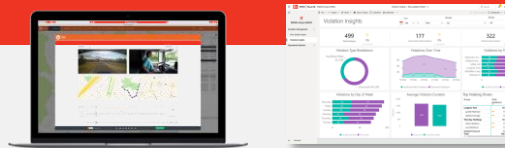
EROAD PROVIDES A COMPLETE CONNECTED NETWORK THAT CONNECTS WITH CUSTOMERS' SYSTEMS, ALLOWING THEM TO TURN DISPARATE DATA INTO ACTION

## COMPLIANCE AND ASSURANCE



- **RUC and fuel tax compliance**
  - Electronic, automated RUC purchases and claims
  - Fuel tax reporting and IRP1 registration
- **Industry-specific solutions**
  - **Cold chain assurance**
  - **Construction assurance**
  - **Waste and recycling assurance**

## HEALTH & SAFETY



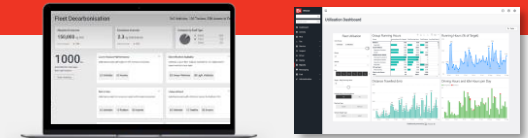
- **Driver behaviour monitoring and feedback**
- **Electronic logbook**
- **Vehicle inspections**
- **Speed monitoring**
- **Incident detection, alerting and replay**

## PRODUCTIVITY



- **GPS tracking and geofencing**
- **Fleet maintenance**
- **Fuel management and idling reports**
- **Vehicle inspections**

## SUSTAINABILITY



- **Fuel management and idling reports**
- **Fleet utilisation**
- **Decarbonisation assessment & insights<sup>1</sup>**

## POWERED BY<sup>2</sup>



*IoT hubs*



*Tracker and sensors*



*Dashcams*

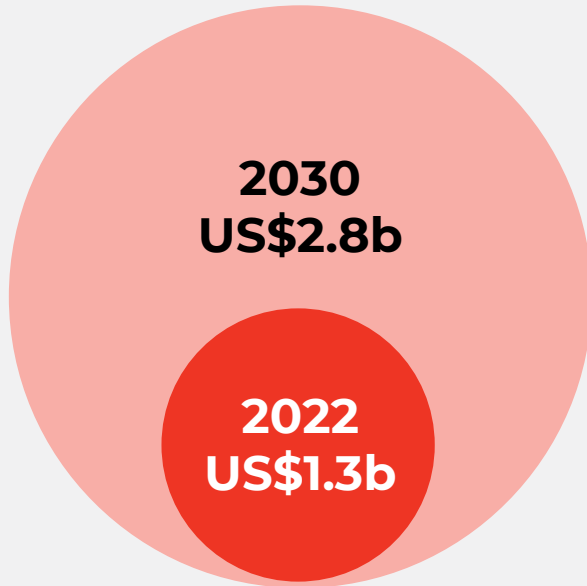
<sup>1</sup> Launching 2023. <sup>2</sup>. Proprietary and 3<sup>rd</sup> party hardware

# KEY MARKET SIZE

OUR SOLUTIONS ADDRESS A LARGE, AND FAST-GROWING MARKET OPPORTUNITY



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Total telematics profit pool  
2022 vs 2030 for geographies  
EROAD serves<sup>2</sup>

## NORTH AMERICA

One of the largest markets with significant long-term growth prospects



~3k  
CUSTOMERS

Targeting growth through whole-of-fleet solutions and Enterprise accounts

## NEW ZEALAND

Cash generative geography with leading market position in target verticals



~6k  
CUSTOMERS

Targeting growth through multi-product penetration

## AUSTRALIA

Opportunity to leverage leading New Zealand market position for trans-Tasman fleets



~350  
CUSTOMERS

Targeting growth through whole-of-fleet solutions for SMB and penetration into trans-Tasman customers

# OPTIMISING THE BUSINESS MODEL

THE STRATEGIC REVIEW IDENTIFIED 4 OPPORTUNITIES FOR OPTIMISATION,  
WE HAVE A CLEAR PATH TO GENERATE POSITIVE FREE CASH FLOW + DRIVE GROWTH

## STRATEGIC REVIEW IDENTIFIED 4 KEY OPPORTUNITIES

1. **Customer mix** necessitates a segmented service model
2. **R&D payback** can improve through faster speed to market and prioritised projects
3. **North American business** requires differentiated product offering to deliver to large enterprise market
4. **Unit Economics** improve as cost-out initiatives are realised and customer growth occurs

## REPOSITIONING TO GENERATE CASH & DRIVE GROWTH

### TURN AROUND THE CORE

#### Drive cash and efficiency focus across the business

- Tailoring of service levels to drive performance
- Streamline R&D functions and refocus spend
- Drive operating efficiencies to right-size cost base and generate operating leverage
- Completed \$10m in cost out, another \$10m in cost-out targeted

### GROW NORTH AMERICA

#### Drive revenue growth from enterprise customer whole-of-fleet solutions and integration

- Target transportation vertical, whole-of-fleet solution in North America customers
- Complete scalable and competitive product offering for enterprise
- Scale up North American-focused enterprise sales team
- Strategic review to identify partners to accelerate North American strategy

## OPPORTUNITY #1

# CUSTOMER MIX

**Customer mix** necessitates a segmented service model



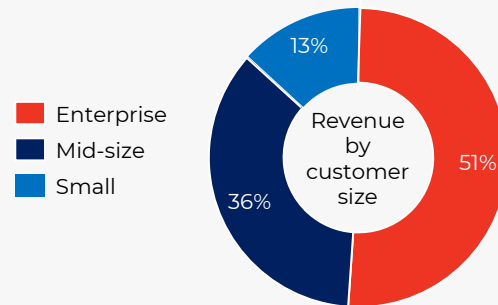
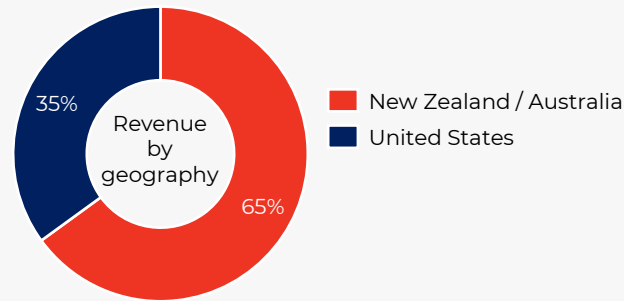
# CUSTOMER MIX

DIVERSE CUSTOMER BASE ACROSS FLEET SIZE AND INDUSTRY HAS BEEN INSTRUMENTAL TO GROWTH TO DATE

## DIVERSE CUSTOMER BASE

- Strong relationships with blue-chip customers resulting in a diversified customer base and high retention
- EROAD has low customer concentration with the top 10 of its customers accounting for 22% of FY22A revenue. In addition to being diversified by customer, revenue is diversified by geography, customer size and industry

### CUSTOMER CONCENTRATION (2022)



### TOP 10 CUSTOMERS (2022)

Customer	Geography	FY22A recurring revenue
Customer 1	North America	6%
Customer 2	North America	3%
Customer 3	New Zealand	2%
Customer 4	North America	2%
Customer 5	North America	2%
Customer 6	New Zealand	2%
Customer 7	North America	2%
Customer 8	Australia	1%
Customer 9	North America	1%
Customer 10	North America	1%
<b>Total</b>		<b>22%</b>

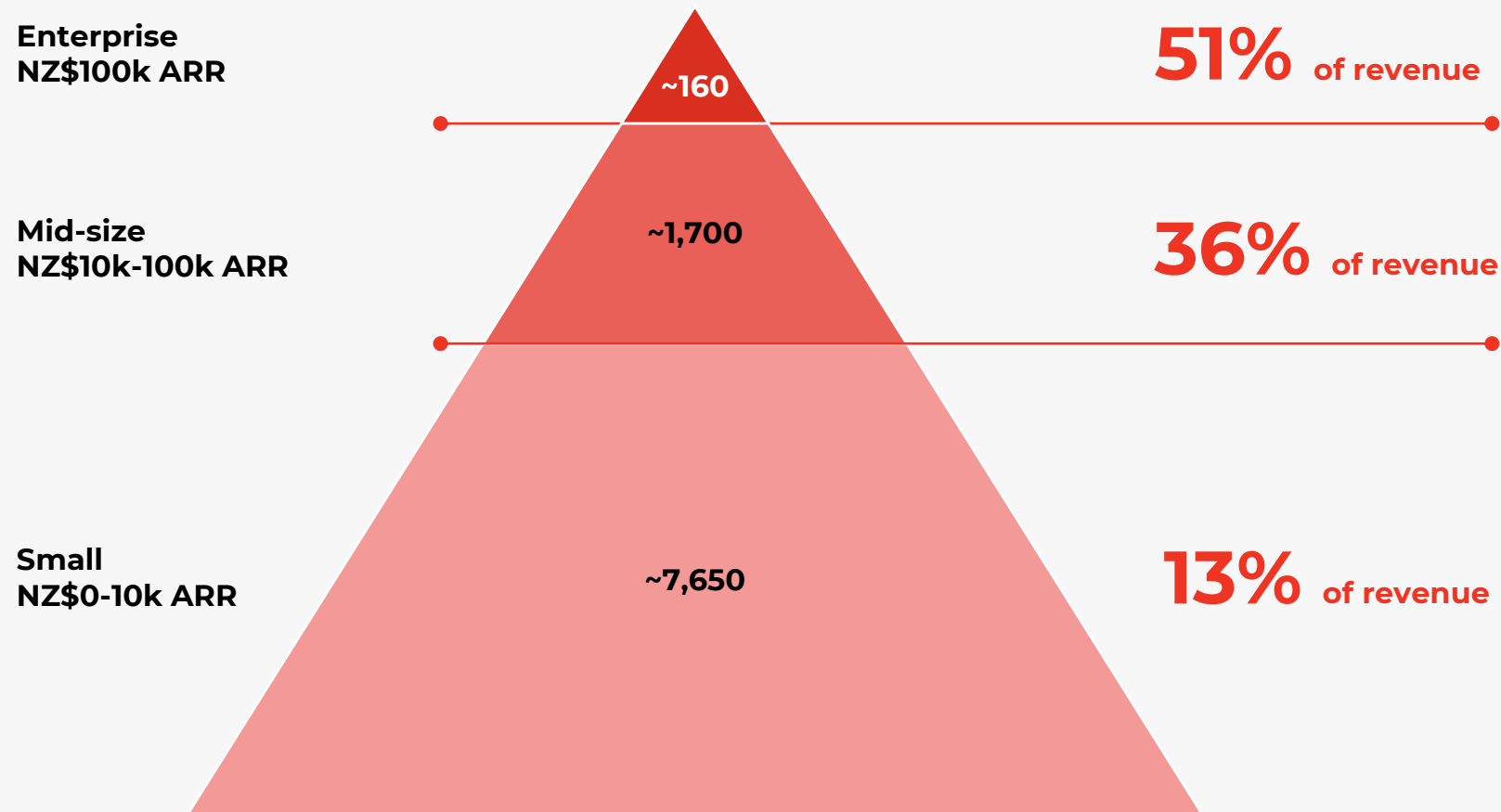
# CUSTOMER MIX

SHIFTING TO A SEGMENTED SERVICE MODEL TO MANAGE THE LONG TAIL WILL REDUCE COST TO SERVE & INCREASE PROFITABILITY

## LONG CUSTOMER TAIL

- EROAD's total customer base is weighted to small-medium business owing to the company's origin in the NZ RUC market
- EROAD's largest ~160 customers account for 51% of revenue while our ~7,650 small customers represent 13% of revenue
- Optimising the customer mix and segmented service levels to increase profitability

### EROAD CUSTOMER BASE BY REVENUE CONTRIBUTION



# CUSTOMER MIX

RETENTION OF REFERENCEABLE BLUE-CHIP CUSTOMERS ENABLE A TARGETED ENTERPRISE PIPELINE WITH HIGH CONFIDENCE

## KEY ENTERPRISE CUSTOMERS

CUSTOMER RELATIONSHIPS

### NORTH AMERICA



Fleet size of 1,000 – 11,000+

Average tenure of approximately 5 years

### NEW ZEALAND & AUSTRALIA



Fleet size of 500 - 6,000+

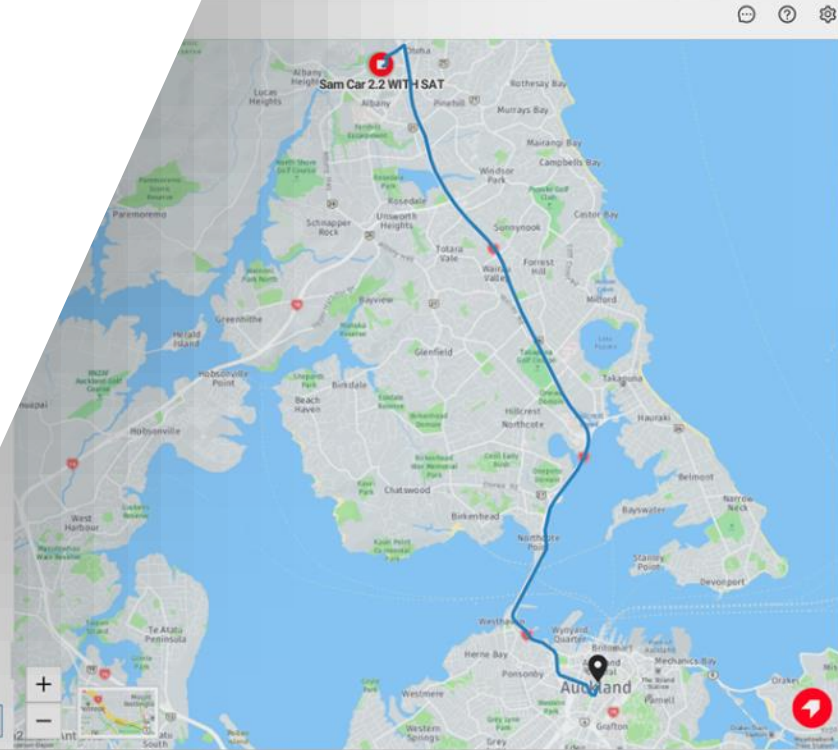
Average tenure of approximately 9 years<sup>1</sup>

<sup>1</sup> Excludes Fonterra who onboarded in FY23

## OPPORTUNITY #2

# R&D PAYBACK

**R&D payback** can improve through faster speed to market and prioritised projects





# R&D PAYBACK

SPEND WILL REDUCE AS A % OF REVENUE; PAYBACK WILL IMPROVE AS SYNERGIES REALISED, PROCESS INEFFICIENCIES REMOVED, AND STRONGER PRIORITISATION

## R&D RE-FOCUSING INITIATIVES

### Optimise admin spend:

- Reducing complexity & maintenance post Coretex acquisition
  - EROAD 2.0 Platform introduced to realise synergies
  - Workstreams to unify platforms and improve user experience

### Remove process friction:

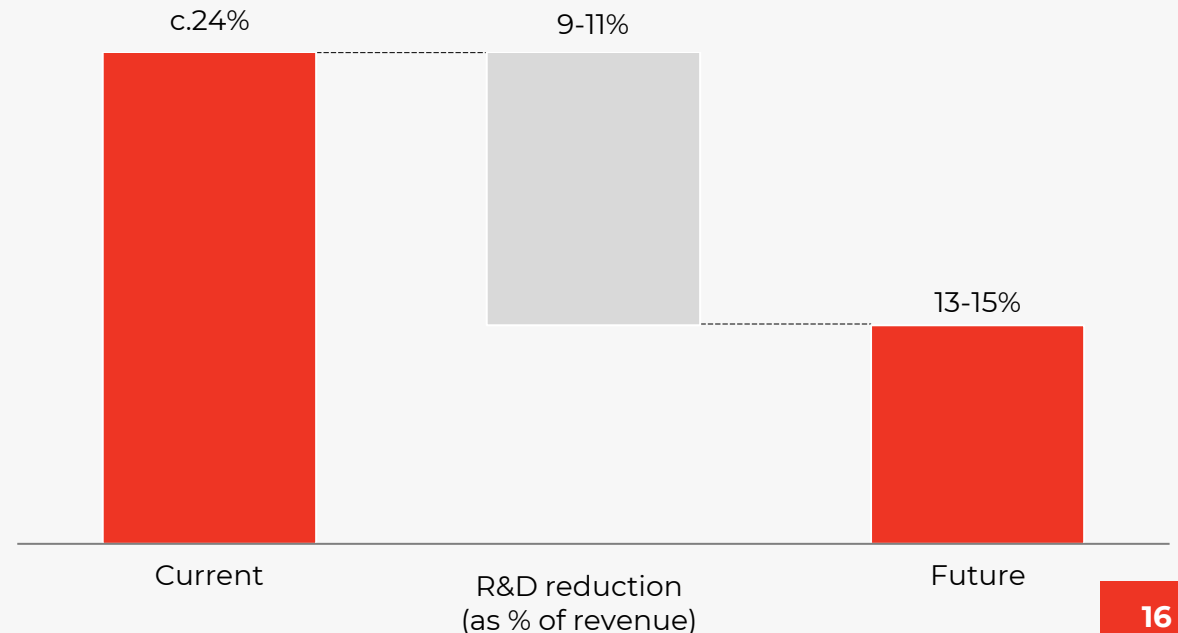
- Improvements to project delivery, team structure, software delivery processes, and team communication & autonomy
  - Initiatives underway to increase Product & Engineering productive time by 10-20% in FY24

### Test budgets against renewed strategy:

- Re-align streamlined investment on new business strategy
  - Refocused projects for quicker return on investment and current customer needs
  - Director of Agile Delivery and Transformation appointed

## R&D INVESTMENT (% OF REVENUE), NZ\$M

- R&D spend is expected to reduce to approximately \$30m per year (from \$38m in FY23) to fund platform maintenance and product development
- R&D efficiency is expected to continue to increase as revenue growth reduces R&D as a % of revenue



OPPORTUNITY #3

# NORTH AMERICAN MARKET FIT

**North American business** requires differentiated product offering to deliver to large enterprise market



# NORTH AMERICAN MARKET FIT



WITH A STRONG DIFFERENTIATED SAFETY SOLUTION IN NA, R&D INVESTMENT WILL FOCUS ON OUR SOLUTION GAPS REQUIRED BY ENTERPRISE CUSTOMERS

## NORTH AMERICA PRODUCTS

	Feature set	Inclusions	Market: Must have / Ability to differentiate	Current EROAD solution
SAFETY	<b>Core telematics</b>	Track/trace, driver scorecard	<b>Must have</b>	✓
	<b>Navigation</b>	Dynamic updates to routing (traffic, weather, etc.)	<b>Ability to differentiate</b>	✓
	<b>Temperature and trailer monitoring</b>	Reefer temp, trailer location, capacity utilisation measurement, etc.	<b>Ability to differentiate</b>	✓
REGULATORY	<b>Driver communication</b>	Dispatch to Driver comm. (orders, tasks, etc)	<b>Must have</b>	<b>Investment focus</b>
	<b>Vehicle documentation</b>	DVIR, pre-trip inspection, other checklists	<b>Must have</b>	<b>Investment focus</b>
	<b>Compliance</b>	ELD / HOS reporting, IFTA / fuel cards	<b>Must have</b>	✓
	<b>Video telematics</b>	Video-based fleet monitoring, job management, H&S	<b>Ability to differentiate</b>	✓
PRODUCTIVITY	<b>Fleet efficiency</b>	Optimise fleet efficiency, base maintenance workflows	<b>Must have</b>	<b>Investment focus</b>
	<b>Benchmarking &amp; perform. Mgmt</b>	Fleet benchmarking relative to industry KPIs developing insights & recommend improvements	<b>Ability to differentiate</b>	<b>Investment focus</b>
	<b>Dispatch and scheduling</b>	Matches drivers / truck to loads based on HOS, availability, ensuring orders are serviced efficiently	<b>Must have</b>	<b>Investment focus</b>
SUSTAINABILITY	<b>Sustainability</b>	EV fleet transition planning, fleet monitoring / emissions tracking	<b>Ability to differentiate</b>	<b>Investment focus</b>

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# NORTH AMERICAN MARKET FIT



DURABLE GROWTH IS ACHIEVABLE THROUGH TARGETING 3 TRANSPORTATION SEGMENTS WITH LARGE SERVICEABLE OBTAINABLE MARKETS WHERE EROAD IS STRONGLY POSITIONED

## NORTH AMERICA OPPORTUNITY

Segments where EROAD plays	Transportation			Construction
	Refrigerate (F&B)	Less than truckload (LTL)	General freight	Concrete
Description	For-hire reefer - solids and liquids, private F&B	Private LTL and other	For-Hire General Freight	Ready mix and bulk concrete
Size of market (vehicles) incl. trailers, '000	~400	~850	~1500	~25
FMS SOM <sup>1</sup> (revenue), USDm	~100	~200	~250	~10
Number of large enterprise customers in the market	~100	~150	~300	~20
Key competitors	 	 	  	

\*Transportation figures rounded to the nearest 50

<sup>1</sup> FMS SOM - Freight Management System Serviceable Obtainable Market

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# OEM HARDWARE ENVIRONMENT

## OEM INTEGRATION REMAINS A KEY FOCUS AND WILL BE INCORPORATED INTO OUR SOLUTION WELL BEFORE OEM HARDWARE BECOMES A SIGNIFICANT THREAT

Users of telematics are provided with two options to connect with Original Equipment Manufacturers ('OEM')

- OEM telematics (telematics shipped with the vehicles)
- Integration with OEM data (third-party solution pulling data from the OEM telematics)

### OEM Telematics

- OEM telematics tend to focus on the most basic use cases (dot on a map & servicing needs) primarily focused on the vehicle only. EROAD's target customer wants a whole-of-fleet picture integrating data across the driver, the load and the vehicle.
- Most fleets operate at least two OEM vehicle suppliers. A single OEM telematics solution likely won't meet their needs and single OEM solutions can't provide a whole fleet view in a mixed fleet.
- The full lifespan of a truck in the US market is 15 years and so we will see non-integrated OEM Telematics vehicles for some time.
- OEM solutions do not provide sophisticated workflow solutions which enterprise customers need.

### OEM Integration

- Our Ehubo2.2 and Corehub devices are capable of OEM connection at various levels and we have a team dedicated to this.
- We are connected directly with OEM data from FUSO Ecanter in the EECA trials in NZ, will be connecting with OEM data from Volvo, Scania, & 1 other via the Ehubo2.2 for Fonterra NZ, and are looking at other OEM data with Sysco on their 800 new EV trucks
- Ultimately there will be an open data standard and less need for hardware level connectivity but, as with interoperability in other markets, this is potentially years away.

OPPORTUNITY #4

# UNIT ECONOMICS

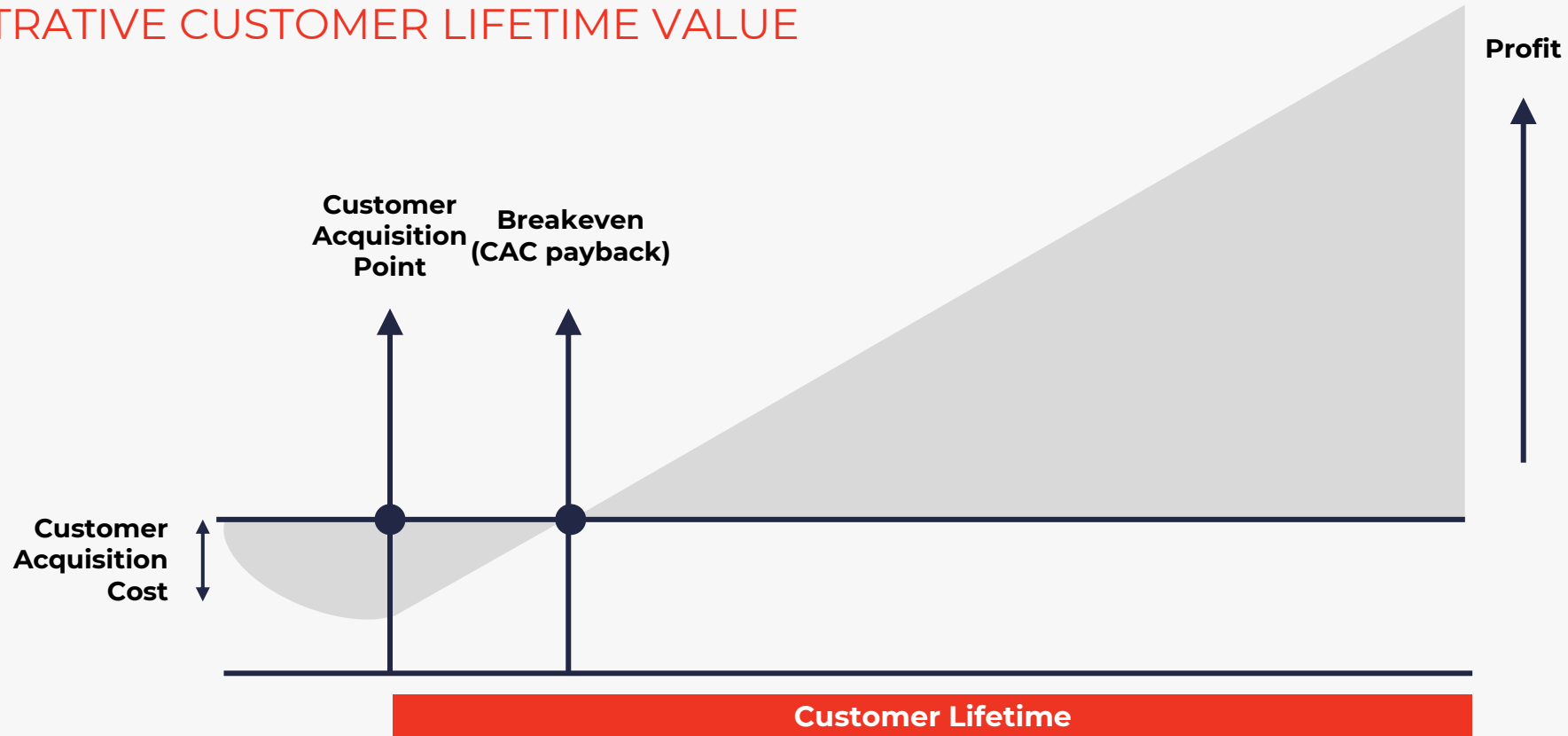
**Unit Economics** improve as cost-out initiatives are realised and customer growth occurs



# UNIT ECONOMICS

HARDWARE REPLACEMENT HAS BEEN A HEADWIND TO UNIT ECONOMICS, TECHNOLOGICAL OBSOLESCENCE AND CUSTOMER CHURN INCREASE CAPITAL OUTFLOWS AND REDUCE LIFETIME VALUE

## ILLUSTRATIVE CUSTOMER LIFETIME VALUE



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# UNIT ECONOMICS

UNIT ECONOMICS IMPROVE AS EROAD ACHIEVES CUSTOMER GROWTH AND REALISES COST-OUT INITIATIVES

## NET CASH FLOW PROFILE OVER TIME, NZ\$

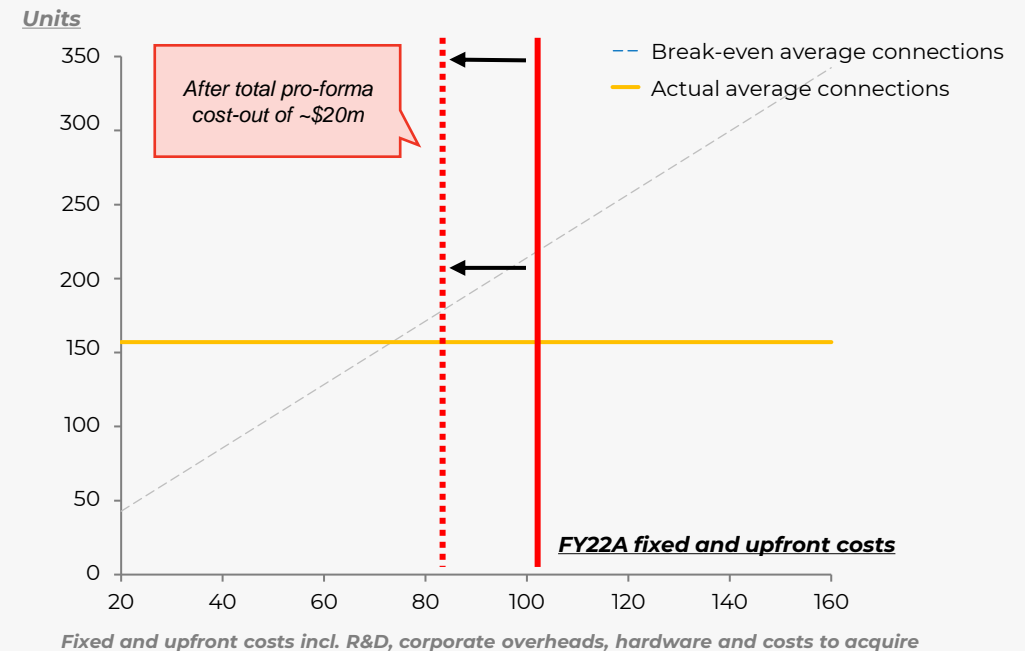
Per unit, Assuming 200k units

*Illustrative example assumes a constant asset base and excludes R&D for growth*

Cash Flow, NZ\$	Year 1	...	Year 6	Total
Total operating inflows	811	669	669	4,154
Total operating outflows <sup>1</sup>	(604)	(114)	(114)	(1,173)
<b>Gross operating profit</b>	<b>207</b>	<b>555</b>	<b>555</b>	<b>2,981</b>
Margin, % of operating inflows	25%	83%	83%	73%
Customer acquisition costs	(531)	-	-	(531)
R&D platform maintenance costs	(79)	(79)	(79)	(474)
Service and corporate costs	(213)	(213)	(213)	(1,279)
<b>Free cash flow</b>	<b>(616)</b>	<b>263</b>	<b>263</b>	<b>697</b>
Cash conversion, % of operating inflows	(76)%	39%	39%	17%

## FIXED COST BREAK-EVEN AS A FUNCTION OF UNITS (FY22)

Units in k, costs in NZ\$m



- On a cash basis, initial year requires capital to initiate a new contract and is earned back over its term. Accounting treatment spreads costs showing profit in early years.
- A larger asset base spreads fixed costs over a larger number of units, increasing cash profitability

<sup>1</sup> Accounting for unit replacement after 5 years. Unit replacement assumption is based on historical customer behaviour.



# UNIT ECONOMICS



3G HARDWARE END-OF-LIFE IS DICTATED BY NETWORK SHUTDOWNS, RESULTING IN UNIT REPLACEMENT BEING BROUGHT FORWARD AND SECURING NZ CASH FLOWS

## ACCELERATED 3G REPLACEMENT PROGRAM

- Vodafone New Zealand will turn off its 3G service in August 2024 on which ~35% of our total units across all markets operate. This follows the successful roll-out of our 4G products in the North American market in 2021/2022.
- EROAD's units are capable of operating on the 2G network in New Zealand.
- Customers with a leasing arrangement exchange units on a regular basis and therefore hardware replacement and renewal is an ongoing cost to our business under a rental model. The result is a ~5 year average use of a unit before refurbishment.
- The 3G shutdown means EROAD is going to accelerate the swap out of older model products over a 2-3 year period. Many of these units have been or will be exchanged organically through normal business operations. Replacing our older generation devices in NZ with our latest 4G devices creates an opportunity for some customers to access a broader range of products and secures EROAD's future income
- Total future program cash flows of \$25-\$30m over 2-3 years, of which \$5-\$7m is costs of goods sold and program operating costs. Current inventory contains about ~\$6m of finished goods and componentry to facilitate replacement hardware.
- Approximately \$7-\$9m of hardware cash flows would have been incurred through unit exchanges over the 2-3 year period with the remainder representing bringing future renewal events forward.

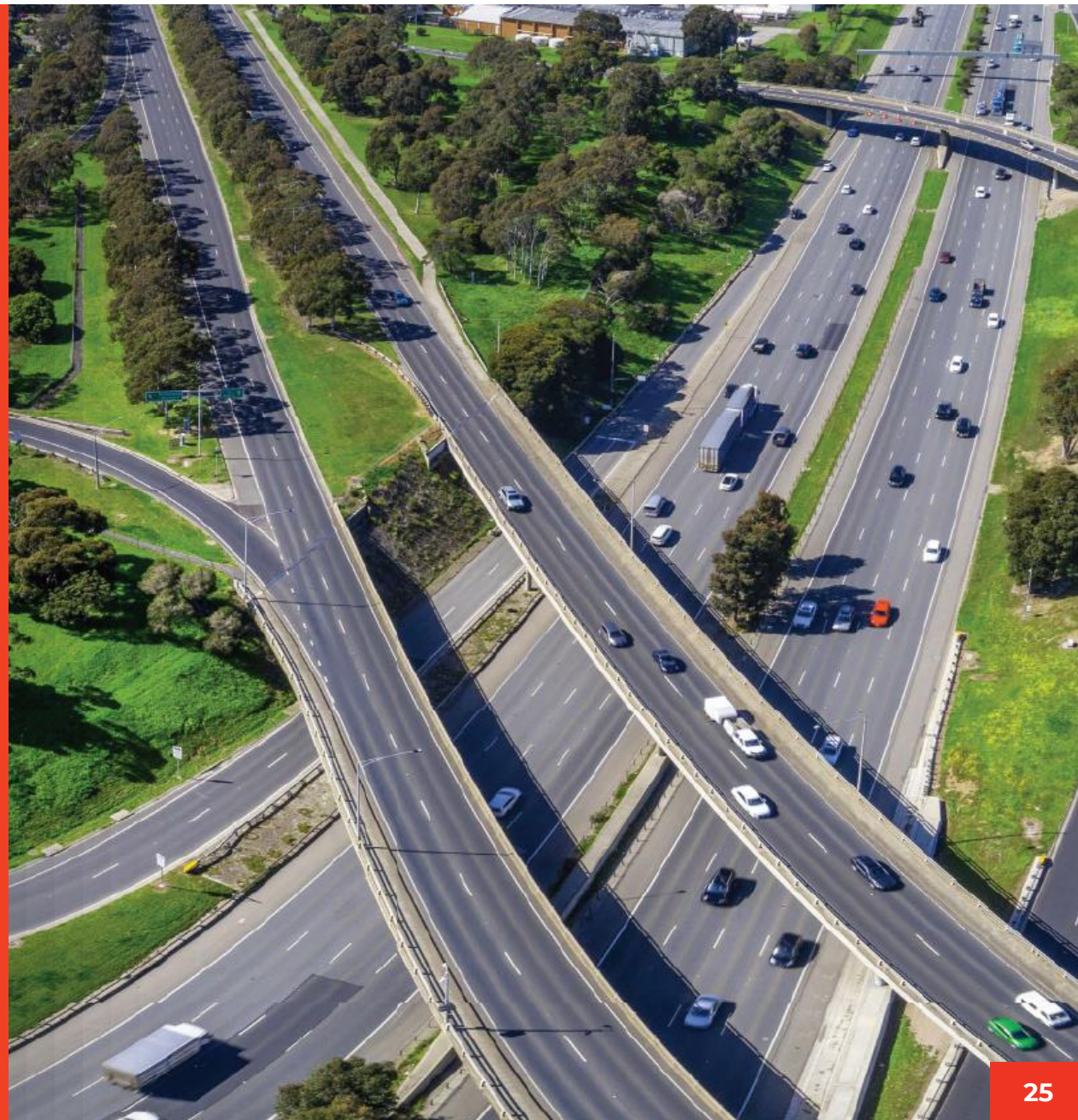
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# ROAD TOMORROW

**MARK HEINE** (CEO)

**MARGARET DELANY** (CFO)

**AKINYEMI KOYI** (PRESIDENT NORTH AMERICA &  
CHIEF INNOVATION OFFICER)



# REPOSITIONING TO GENERATE CASH & DRIVE GROWTH

RIGHT-SIZING THE FOUNDATIONS TODAY ALLOWS EROAD TO SCALE EFFICIENTLY, RESPOND TO MARKET DRIVERS QUICKER AND BE MORE AGILE TO CUSTOMER NEEDS

## TURN AROUND THE CORE

**Drive cash and efficiency focus across the business**

- Tailoring of service levels to drive performance
- Streamline R&D functions and refocus spend
- Drive operating efficiencies to right-size cost base and generate operating leverage
- Completed \$10m in cost-out, another \$10m targeted

## GROW NORTH AMERICA

**Drive revenue growth from enterprise customer whole-of-fleet solutions**

- Target transportation vertical, whole-of-fleet solution in North America customers
- Complete scalable and competitive product offering for enterprise
- Scale up North American-focused enterprise sales team

**TODAY**

Multiple solutions supporting range of offerings, custom builds for large fleets

Development of software & hardware, with long time to market (1yr+)



Scalable platforms centred around verticals supporting fast customisation

More focus on software development for scalability, quicker time to market (<8 months)

**TOMORROW**

# STRATEGY TIMEFRAME



OPTIMISING BUSINESS OPERATIONS UNDERWAY, AFTER WHICH RESOURCES CAN BE DEPLOYED TO ACHIEVE SCALEABLE GROWTH



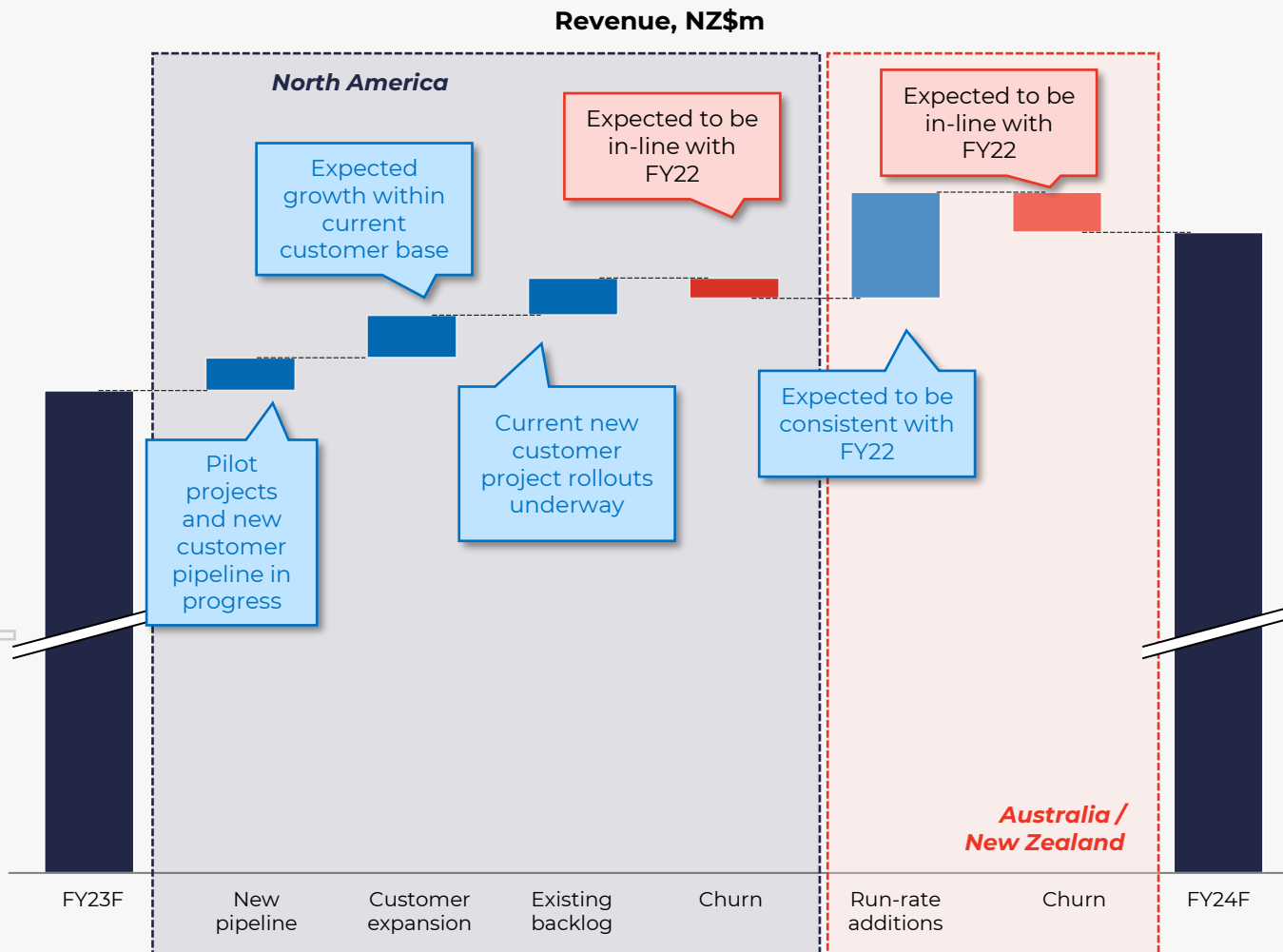
Approach	Corporate overhead reduction	Efficiency in ANZ / Growth in NA	Growth in NA Verticals
Timing	FY23	FY24	~3-5 years
Value focus	<ul style="list-style-type: none"> <li>Headcount reduction</li> <li>Overhead expense reduction</li> </ul>	<ul style="list-style-type: none"> <li>Customer service segmentation</li> <li>Accelerated replacement program execution</li> <li>Product stabilisation and simplification</li> <li>Rollout Sysco and retain North American enterprise customers</li> <li>Ongoing cost-out</li> </ul>	<ul style="list-style-type: none"> <li>Growth in large enterprise customer base</li> <li>Capitalise on sales and product improvements made</li> <li>Rationalisation of cost base</li> <li>Economies of scale on development, other functions</li> </ul>
Annualised savings	<ul style="list-style-type: none"> <li>\$10m completed</li> </ul>	<ul style="list-style-type: none"> <li>\$10m targeted</li> </ul>	

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# REVENUE BRIDGE

REVENUE GROWTH ACHIEVED THROUGH CUSTOMERS' SCALING UP AND INCREASED MULTI-PRODUCT ADOPTION

## TOPLINE GROWTH BRIDGE



## LONG TERM GROWTH DRIVERS – NORTH AMERICA

- **Focus on Enterprise customers**
  - Volume expansion to be driven by enterprise sales model.
- **Refocus go-to-market activities**
  - Targeted sales team and in-market engineering expansion
- **Focus on transportation vertical**
  - Targeted sub-segments include refrigerated, less than truckload (LTL), and general freight.

## LONG TERM GROWTH DRIVERS – NEW ZEALAND

- **Protect position**
  - Maintain market position and service levels, with a focus on growing alongside existing customers.

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# COST-OUT PROGRAM

ALREADY HALFWAY THROUGH COST-OUT PROGRAM,  
WITH TARGETED PLANS FOR THE REMAINING \$10M

## Completed \$10m cost-out

- **Right-sized personnel**
  - Approximately 75 FTE removed
- **Reduced sub-contractor spend**
  - 40% reduction in run-rate spend
- **Property footprint reduction**
  - Closed Portland, OR office and consolidated Albany, NZ site
- **Optimised mobile data usage**
  - Negotiated alternative cellular pricing for our camera product
  - Negotiated data plan more in-line with our merged consumption pattern
- **De-prioritised business systems investment**
  - Removed low-priority business systems

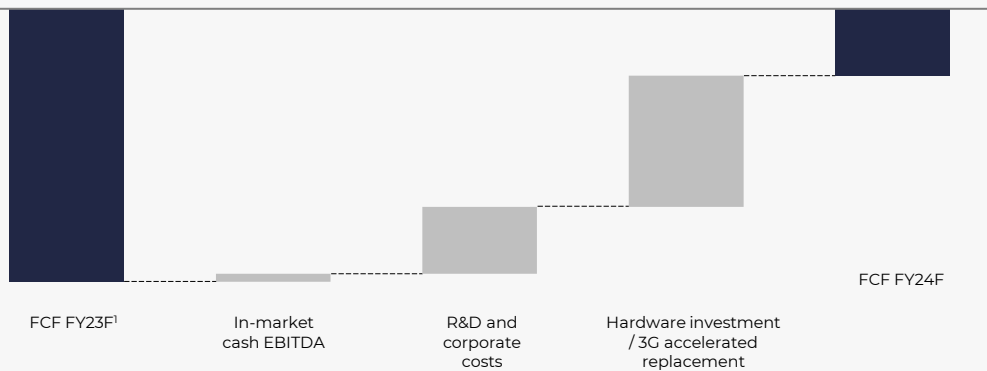
## Targeted \$10m cost-out

- **Product simplification**
  - Consolidate product suite and eliminate duplication
- **Corporate efficiency**
  - Streamlining processes and systems
  - Focus on return on investment
- **Supplier renegotiation**
  - Merger has created opportunities to negotiate joint contracts
  - Contract manufacturing cost reductions
- **Expense rationalisation**
  - Discretionary travel, computer subs, and other expenses

# FREE CASH FLOW BRIDGE

MANAGEMENT IS FOCUSED ON BEING FCF NEUTRAL BY FY25 AND FCF POSITIVE BY FY26 WITHIN EXISTING CREDIT FACILITY LIMITS

## FORECAST FREE CASH FLOW TO FIRM BRIDGE, NZ\$m



In addition to operating earnings growing in line with market and cost inflation, a number of initiatives are expected to drive free cash flow

	Description	FY24-FY26 FCF impact
<b>Cost out initiatives</b>	Targeted additional cost out initiatives (Focused R&D spend, in-market and corporate cost savings)	Annualised \$20m
<b>Hardware Inventory levels</b>	Tighter inventory management - surplus inventory reduced as new units are installed	~\$15m
<b>Hardware capex</b>	Hardware spend in addition to reducing inventory	~\$(40m)
<b>3G replacement</b>	Rollout of accelerated 3G replacement (of which \$7-9m is BAU hardware replacement)	~\$(25-30m)

### • In-market cash EBITDA

- **Revenue** - North America forecast to grow at market levels with growth in existing customers, New Zealand to continue at current trajectory
- **Opex** - Forecast growth due to accelerated 3G replacement program and wage inflation. Right sizing North America sales for enterprise pipeline and customer support for Sysco

• **R&D and corporate** - Forecast impact of FY23 cost-out program along with ongoing cost savings

• **Hardware** - Forecast rollout of accelerated 3G replacement program units and tighter inventory levels as global supply chain issues ease

<sup>1</sup> Excluding NZ\$8.5m one-off payment related to Coretex acquisition

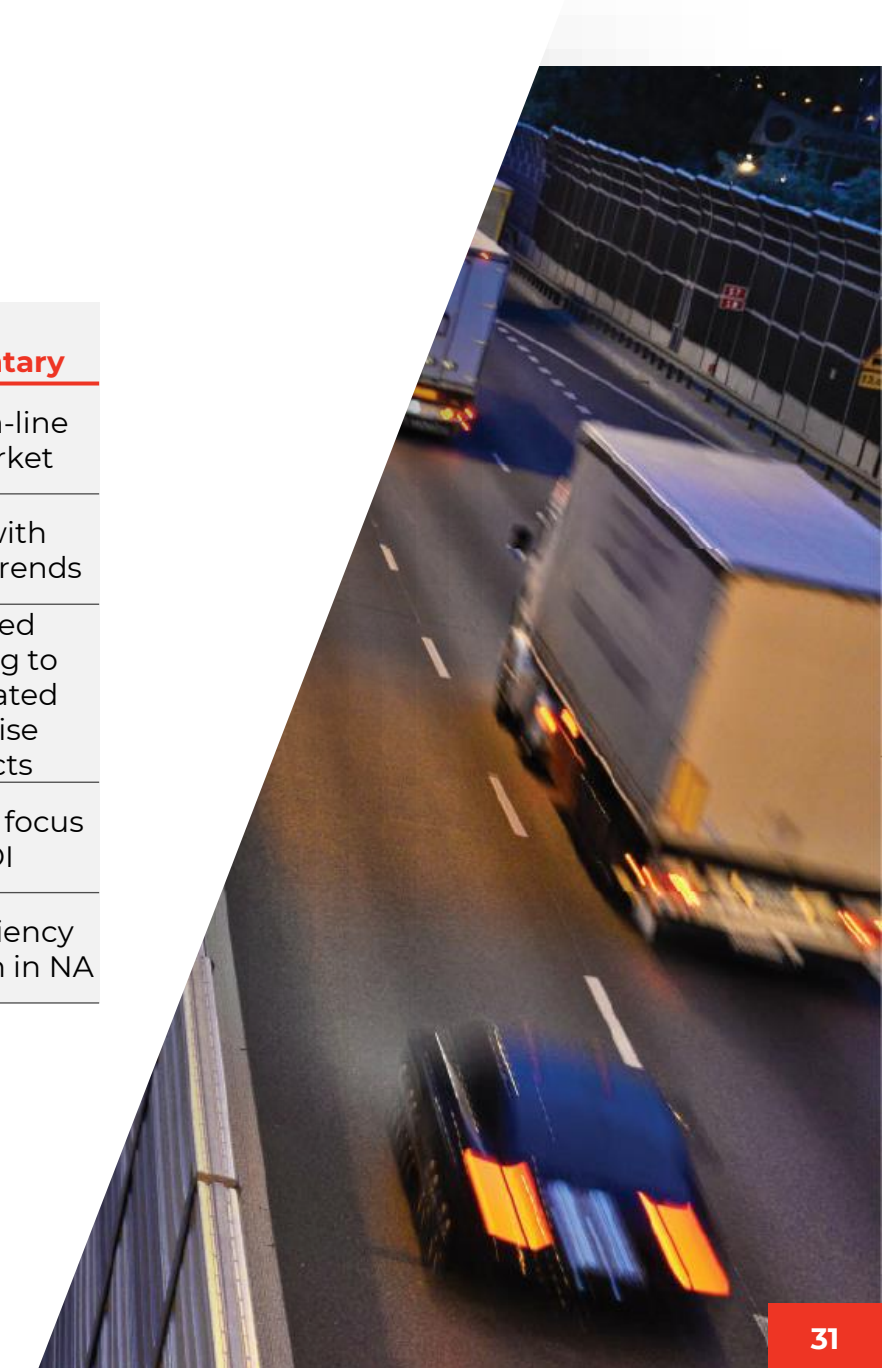
# KEY METRICS

FOCUSED STRATEGY PROVIDES CONFIDENCE IN OUR OUTLOOK

## TARGETS

Goal	Metric	FY20	FY21	FY22	FY26	Commentary
SaaS Quality	AMRR*	84.0	88.4	134.6	11% - 13% CAGR	Growth in-line with market
	Churn	5%	5%	7%	5% - 7%	In-line with historical trends
	Average Lease Duration Remaining	1.6	1.6	1.4	1.5 - 2.0	Increased weighting to longer dated enterprise contracts
Investment	R&D as % of revenue	19%	23%	28%	13% - 15%	Flat with a focus on ROI
Return	Free Cash Flow Margin	-12%	9%	-39%	9%+	Cash efficiency and growth in NA

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\* Annualised monthly recurring revenue



# POSITIONED FOR MARKET GROWTH

The strategic shift to operate at **scale** positions EROAD well to translate momentum into durable growth for the long-term



# KEY MARKET DRIVERS

EROAD'S CURRENT STRATEGY ALIGNS US WITH SIGNIFICANT MOMENTUM TO CAPITALISE ON TAILWINDS AND AVOID POTENTIAL NEGATIVE TRENDS

## KEY TRENDS

## EROAD FOCUS

### TELEMATICS INDUSTRY TRENDS

1 Demand for advanced workflow-based solutions



Demand for bespoke/custom workflow solutions

2 OEM offering built-in telematics



### IOT PLATFORM / DATA AGGREGATOR

Need for cohesive and standardised integration across multiple data sources

3 Tighter integration across supply chain

4 Commoditisation of base offering stack



### WHOLE-OF-FLEET

As base telematics are further commoditised and fleets consolidated, EROAD will compete with whole-of-fleet solutions (including APIs, aggregation and enrichment)

5 Fleet consolidation

### BROADER TRANSPORT INDUSTRY TRENDS

6 Transition to EV fleets

7 Focus on sustainability and ESG (excl. electrification)

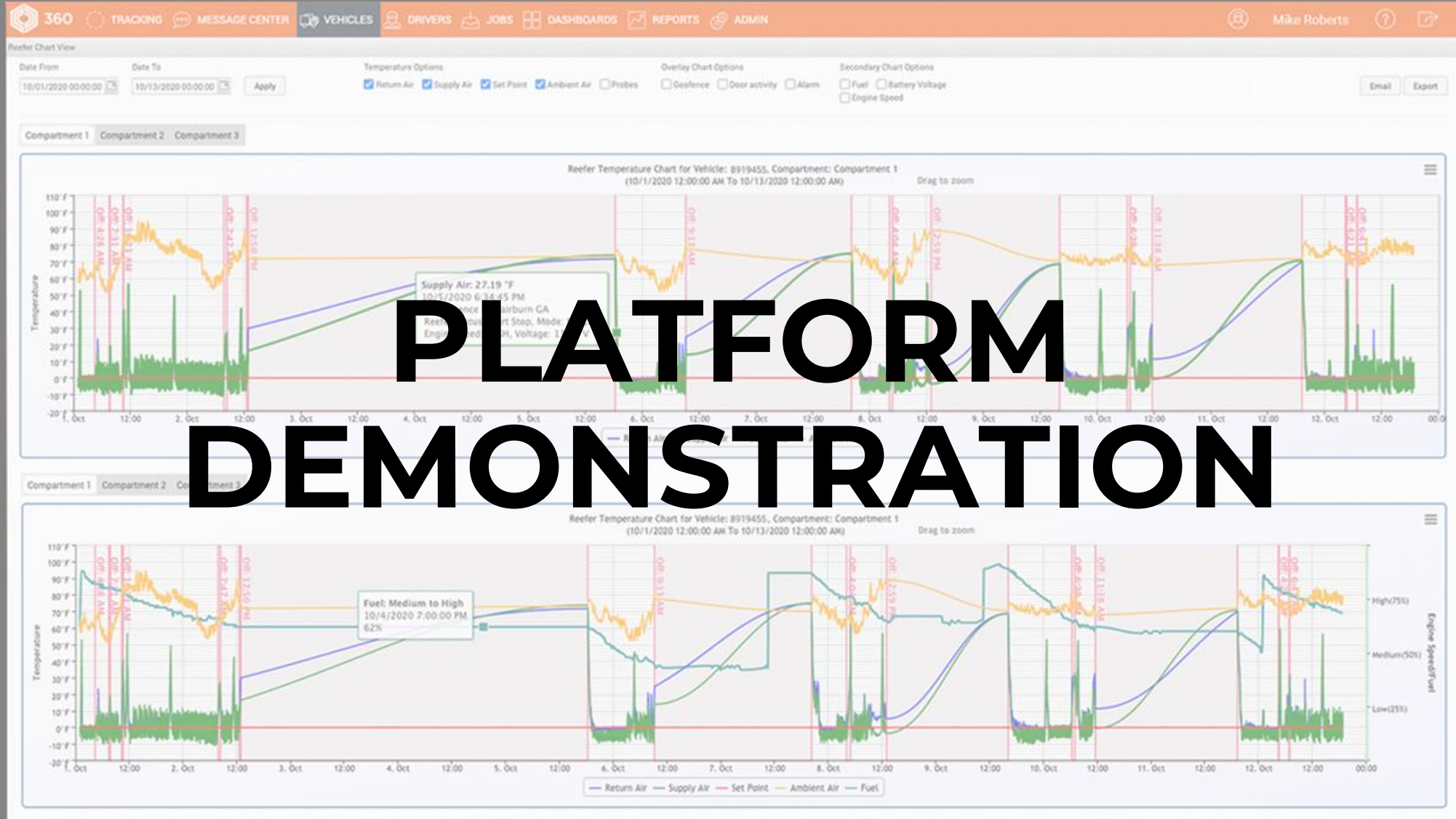


### SUSTAINABILITY FOCUS

Regulatory landscapes across all markets changing, impacting both reporting requirements and tax impacts. Provides tailwind for telematics fleet management.

8 Future regulatory requirements

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# PLATFORM DEMONSTRATION

# 04 SUMMARY AND Q&A

